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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.

BAE

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Approved by Outlook and Situation Board, January 28, 1947

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THE DEMAND FOR FARM PRODUCTS

Record peacetime income payments resulting from high levels of production and employment continue to support a strong demand for farm products.

Factors affecting demand will be particularly important in determining the level of overall industrial output in 1947.

Current prospects are for no significant weakening in the average level of prices received by farmers before the 1947 crops are far enough along to become price-making factors. There is evidence, however, that many wholesale prices are beginning to level off and certain luxury items and some farm and food product prices are weakening.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1945		1946			
		Year	Nov.	Aug.	Sept.	Oct.	Nov.
Industrial Production <u>1/</u>	: 1935=39 :						
Total	= 100 :	203	163	177	180	181	182
All manufactures	" :	214	173	183	186	188	190
Durable goods	" :	274	191	208	212	213	214
Nondurable goods	" :	166	158	164	164	165	166
Minerals	" :	137	138	143	145	144	131
Construction activity <u>1/</u>	: 1935=39 :						
Contracts, total	= 100 :	118	164	275	263	253	242
Contracts, residential	" :	64	108	385	360	343	299
Wholesale prices <u>2/</u>	: 1935=39 :						
All commodities	= 100 :	131	133	160	154	166	177
All commodities except farm and food	" :	123	123	137	138	142	149
Farm products	" :	169	173	212	203	218	221
Food	" :	134	136	188	167	200	209
Prices received and paid by farmers <u>3/</u>	: 1910=14 :						
Prices received, all prod.	= 100 :	202	205	249	243	273	263
Prices paid, int. and taxes	" :	174	175	204	200	207	212
Parity ratio	" :	116	117	122	122	132	124
Consumers' price <u>5/ 6/</u>	: 1935=39 :						
Total	= 100 :	128	129	144	146	148	152
Food	" :	139	140	171	174	180	188
Nonfood	" :	123	124	129	130	131	132
Income	: 1935=39 :						
Nonagricultural payments <u>4/</u> ...	= 100 :	236	232	243	243	244	246
Cash farm <u>3/</u>	" :	283	282	313	319	348	361
Income of Industrial Workers <u>3/</u> ...	" :	286	229	285	287	287	293
Factory payrolls <u>5/</u>	" :	307	237	296	302	304	310
Weekly earnings of factory workers <u>5/</u>	: Dollars :						
All manufacturing	" :	44.39	40.77	44.99	45.41	45.68	45.63
Durable goods	" :	49.05	47.71	48.02	48.40	48.83	48.68
Nondurable goods	" :	38.29	37.89	41.89	42.34	42.42	42.59
Employment	:						
Total civilian <u>7/</u>	: Millions :	51.6	51.4	57.7	57.0	57.0	57.0
Employees in nonagri.est. <u>5/</u> ...	: Thous. :	38,144	36,779	39,865	40,192	40,175	40,453
Farm <u>3/</u>	" :	9,844	10,747	11,044	11,111	11,486	10,809
Government finance (Federal) <u>8/</u> ...	: Mil. dol. :						
Receipts, net	" :	3,837	2,374	2,434	4,478	2,544	2,364
Expenditures	" :	7,470	4,581	2,932	2,755	2,965	2,529

Annual data for the years 1929-45 appear on page 20 of the March 1940 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board; converted to 1935=39 base. 2/ U. S. Dept. of Labor, B.L.S. 3/ U. S. Dept. of Agriculture, BAE. To convert prices received and prices paid, interest and taxes to the 1935=39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce. 5/ U.S. Dept. of Labor B.L.S. 6/ Consumers' price index for moderate-income families in large cities. 7/ U.S. Dept. of Commerce, Bureau of Census. 8/ U. S. Dept. of Treasury. Data for 1945 are on average monthly basis.

INDUSTRIAL PRODUCTION

Rising to record peacetime levels, the rate of industrial production in 1946 averaged 170 percent of the 1935-39 level. This was 69 percent below the wartime high average of 239 in 1943, but 3 percent above the level of September, 1945 when the war ended. Durable goods were produced at an average rate equal to 192 percent of prewar, while the rate of nondurable goods production at 164 percent of the prewar level represented only a slight decline of 12 percent from the record average level of 1943.

Consumer demand factors will be more important in determining the level of industrial production in 1947 than those factors which predominated during the past year--unconverted plant and equipment and materials shortages. The national industrial plant is now largely converted to production for peacetime needs. With the lifting of material and price controls during the past year, except for a few remaining priority regulations, materials will tend to flow to those uses for which there will exist a greater demand at market prices.

There is still a substantial backlog of demand for consumer durable goods and housing. This combined with the current demand for nondurable goods, the demand by business for plant and equipment, and foreign demand, can maintain production at high levels in 1947. But since total effective demand is conditioned by the level of prevailing prices, the huge volume of production anticipated in 1947 probably will not move into consumption and use unless downward price adjustments are made.

Among the more important factors which helped buoy consumer demand in 1946 were: (1) withdrawals from war-swollen savings by many consumers, (2) an increase in the volume of consumer credit outstanding, and (3) a general increase in the rate of consumer expenditures out of current income.

From 1940 through 1945, liquid savings by individuals totaled almost 160 billion dollars, according to estimates made by the SEC. Some evidence of the extent of withdrawals from these savings may be obtained from data on cash redemptions of savings bonds which, Treasury Department figures indicate, amounted to almost \$5 billion from January through September, 1946. Despite these withdrawals, however, savings by individuals in the aggregate continued to accumulate in 1946. This can be explained by the fact that, although aggregate savings made in 1946 declined from the abnormal wartime levels, new savings made by some groups out of current income more than offset withdrawals from past savings by others. It is doubtful whether withdrawals from past savings during 1947 will be as substantial as during 1946.

Federal Reserve Board estimates of consumer credit show that consumer credit outstanding increased by \$2.5 billion from January to October 1946. The volume of consumer credit may be larger in 1947 than in 1946. A larger volume of consumer credit would bolster the demand for goods and services and thereafter would help maintain production at the high levels which prevailed in late 1946. But current expenditures financed by installment credits must be made at the expense of future expenditures out of future income. The contribution made by this source of demand expansion merely postpones downward adjustments in prices and production which will occur unless offset by factors such as foreign demand and private investment.

Expenditures by consumers out of current income have increased significantly from the wartime rate of 75 percent of current disposable income. In late 1946 the rate of consumers expenditures was about 90 percent of disposable income, about the same as prewar. This rate is not likely to increase in 1947.
(For release February 5, P.M.)

COMMODITY PRICES

Prices increased moderately under price control during the first half of 1946. Under price and other wartime controls, however, supplies of many commodities were inadequate because of the high level of demand supported by record peacetime income payments, accumulated savings, and a rise in consumer credit. With the lapse of price control on June 30 followed shortly thereafter by recontrol and finally by virtually complete decontrol in mid October, the level of prices of farm products and foods fluctuated widely but rose to new high levels during the last half of 1946. The sharp rise in prices of most farm commodities following decontrol, despite large crops reflected the generally high level of consumer demand.

Preliminary data for December 1946 indicate that the index of wholesale prices of all commodities for the year averaged 150 percent of the 1935-39 average. The consumer price index for the year averaged 139 percent the 1935-39 average. This index increased from 129.6 for February 1946 to 153 for December-- a rise of 18 percent.

The index of prices received by farmers rose to new peaks during 1946, increasing from 206 (1909-14=100) in January to 273 in October. It then declined 10 points by mid-November and in December was 264. The average for the year was 233 -about 15 percent above 1945.

The index of prices paid by farmers (including interest and taxes) rose from 177 percent of the 1910-14 average to 213 during 1946. The average for the year was 194 compared with 174 for 1945. However, as a result of the more rapid rise in prices received by farmers, the parity ratio for the year (the ratio of prices received to prices paid, interest and taxes) rose to 120 from 116 in 1945.

The general level of prices is high by most historical comparisons. But there is evidence of leveling off in the prices of many commodities and a weakening in the prices of certain luxury items and of some farm and food products. Moreover, prices of farm products in general probably attained their post war peak in mid October 1946. A continued strong demand for farm products, however, appears likely to support farm prices at not greatly below the present level until the 1947 crops become price-making factors.

The index of prices paid by farmers including interest and taxes may change only slightly from present levels during the next few months. This is predicated on the expected leveling off or possible decline in food and clothing prices partly offsetting rising prices for building materials, machinery, and other farm supplies.

FARM INCOME

Total cash receipts from farm marketings including Government payments may be around 4.0 billion dollars for the first 2 months of 1947, 30 percent greater than in 1946. It is expected that prices received by farmers will average about 25 percent above the first 2 months of last year. Indications are that income from livestock and products probably will be nearly 50 percent above 1946 and that receipts from meat animals may show a gain of 55 percent, with prices about 45 percent higher than last year. Receipts from dairy products for the first 2 months may be about 30 percent higher than receipts from dairy products plus payments on the Dairy Payment Program in 1945. Income from poultry and eggs may be only a little higher than last year with prices about the same or slightly higher. Receipts from crops for the first 2 months in 1947 probably will be about 15 percent above 1946, with prices averaging about 15 percent greater. Income from grains and tobacco, probably will show substantial gains.

Total receipts from farm marketings for January were about 2.1 billion dollars, nearly 15 percent below December, but 40 percent above January 1946. Income from livestock and products of about 1 345 million dollars was nearly 55 percent above last year, reflecting the marked gain in prices of meat animals and dairy products. Receipts from crops of around 770 million dollars represented an increase of about 15 percent over 1946. Gains in income from most crops were largely due to higher prices, but greater sales of tobacco were also significant.

Preliminary estimates indicate that total cash receipts in February may be about 1.8 billion dollars. Income from livestock and products may be nearly 10 percent below January but 45 percent above February 1946. Increased prices will account for most of the gain over last February. February receipts from crops may decline about 20 percent from January, but are likely to show a gain of about 15 percent over February of last year. The declines from January will be largely a reflection of the shorter month. The expected gain over February 1946 will be due mostly to higher prices.

LIVESTOCK AND MEAT

Meat-animal prices will be materially higher during the first half of 1947 than in the first half of 1946 when price controls were in effect. But prices in the second half of 1947 probably will average lower than the highs of late 1946 and early 1947. Hog prices probably will be at high levels through the summer of 1947 in response to the strong consumer demand for meat and to the more than seasonal reduction in pork supplies next spring and summer. As fed cattle marketings increase during the spring, prices, especially of top grades, are expected to decline somewhat from early January levels. But, prices of lower grade and stocker and feeder cattle probably will continue relatively high through the spring, as supplies of such cattle will be seasonally small. With large slaughter in prospect, prices of all cattle are likely to decline more than seasonally in the second half of the year, especially in late 1947. Lamb prices probably will be higher relative to 1946 than prices of other livestock, since market supplies of lambs will be small.

Total meat output in 1947 may reach 23 billion pounds on a dressed meat basis. This would be a 4 percent increase over the preliminary production estimate of 22 billion for 1946. All of the increase will be in beef and veal production. Pork production will not be greatly different from the 10.3 billion pounds produced in 1946. Lamb and mutton production in 1947 will be the smallest in several years.

A near-record number of cattle were on grain feed on January 1, promising a record or near-record cattle slaughter during the first 9 months of 1947. But the number of sheep and lambs on feed January 1 was 12 percent less than a year earlier, and 11 percent less than the 1941-45 average. Total hog slaughter from April through September will be relatively small partly as a result of an 11-percent reduction in the 1946 fall pig crop. Slaughter during the fourth quarter of the year, however is likely to be large as a result of the prospectively large 1947 spring pig crop. Farmers' intentions reported about December 1 indicated a 6 percent increase in the numbers of sows to farrow in the spring of 1947 over the spring of 1946.

DAIRY PRODUCTS

In mid-January, dairy product prices, particularly butter and American cheese, were below November and December levels. This was the first seasonal price decline in five years. Prices of all major dairy products will probably decline at least seasonally, and some even more, as production increases during the flush period (April to June) and demand remains relatively stable.

In spite of seasonal price declines, abundant feed supplies will probably maintain favorable dairy product feed price ratios during most of the first half of 1947. Grain feeding to dairy cows is likely to be at, or near, record levels and milk production per cow will continue high. Dairy product exports in 1947 will be made almost entirely by U. S. commercial firms and the quantity is expected to be considerably under 1946 levels.

The lower level of consumer incomes expected in the latter part of 1947 combined with increased supplies of previously scarce consumer goods and a substantial decrease in dairy product exports will probably result in a level of cash receipts from farm marketings of dairy products in 1947 lower than that of 1946 including subsidy payments.

POULTRY AND EGGS

Egg prices are declining seasonally and are expected to continue at or near support levels at least through the first half of 1947. Under the Steagall Amendment the USDA is required to support egg prices through 1947 at a minimum of 90 percent of parity to the extent that funds are available. During 1947 flush production season (March through June), support levels will be moderately higher than actual returns in 1946, if prices paid by farmers remain at present levels. Farmers received an average price of 32.4 cents per dozen, 96 percent of parity from March through June 1946.

Per capita consumption of eggs in the last quarter of 1946 was at least 90 eggs which exceeded that for any previous fourth quarter. A high rate of consumption probably will continue through the first half of 1947 because of near record high meat prices and a high level of consumer purchasing power. For the second half of 1947, demand is expected to be weaker than in the second half of 1946, since red meat supplies will be larger and consumer purchasing power may be lower. Total supplies of eggs in excess of domestic demand at support prices during 1947 are expected to be equivalent to at least 150 million dozen. Foreign demand appears fairly strong.

Farmers are beginning 1947 with 8 percent fewer layers than in 1945, but the long-time trend for increased rate of lay accompanied by ample supplies of feed will result in an egg production only about 5 percent below that of last year.

Chicken prices have declined sharply in recent months. However, prices are expected to rise somewhat in the next few months because supplies of poultry and red meats will be seasonally smaller. By late 1947 declines may again occur, reflecting prospective decreases in purchasing power, and larger supplies of poultry and red meats.

FATS, OILS, AND OILSEEDS

Increased domestic production of fats and oils is in prospect for 1947-48 but supplies available for consumption during the remainder of the current marketing season (October 1946-September 1947) will continue relatively small.

If no major downturn in business activity occurs, prices of most fats and oils, except for a more than-seasonal decline in butter, are likely to remain high until mid 1947. However, prices probably will be lower in 1947-48. Beginning next fall, domestic output will be larger and supplies in major exporting areas are expected to increase.

Output of lard and grease probably will be larger in the 1947-48 marketing year than in the current season. Because of the abundance of corn and the high prices of hogs in relation to corn prices, the 1947 spring pig crop is expected to be larger than in 1946. The December Pig Crop Report indicated an increase of 6 percent over a year earlier in the number of sows to farrow in December 1946 through May 1947. In mid December, the month of heaviest breeding for spring farrowing, the hog corn price ratio was 18.6 to 1 compared with a long-time December average of 12.3 to 1.

Vegetable-oil production may be 10 to 30 percent greater in 1947-48 than in the current marketing year. High prices for soybeans and flaxseed in relation to prices of alternative crops--corn, oats, and wheat--should lead to expansion in acreages of soybeans and flaxseed next spring. The soybean-corn price ratio in mid-December was 2.3 to 1, nearly a third above the 1937-41 average of 1.8 to 1. The ratio between flaxseed and wheat prices was much above average in mid-December--3.6 to 1 compared with the 1937-41 December ratio of 2.2 to 1. The Department of Agriculture recently announced that the price of 1947-crop flaxseed would be supported at \$5.00 per bushel (Minneapolis basis), which probably will be over three times the price of wheat next summer and fall.

CORN AND OTHER FEEDS

Prices of feed grains at the beginning of 1947 averaged about 10 percent higher than a year earlier, while prices of most high-protein feeds were up more than 50 percent. Although supplies of feed concentrates, per animal unit, are at a record level feed grain prices through the early spring are expected to continue moderately higher than a year earlier. More stability in feed prices is expected during the next few months than in the second half of 1946. The strong commercial and export demand in prospect for corn will give support to corn prices this spring and summer. In the late spring and summer, corn prices probably will be below the high levels of that period last year. High-protein feed prices probably will average substantially higher during the first half of 1947 than a year earlier, and will be high relative to feed grain prices.

Farm and terminal market stocks of corn, oats, and barley on January 1 totaled 79.1 million tons, 9 percent larger than a year earlier, and the largest on record per grain-consuming animal unit on farms. The carry-over of corn on farms and at terminal markets next October 1 may be around 400 to 450 million bushels, compared with the low level of 158 million in 1946. Carry-over of oats and barley in 1947 may not be greatly different from 1946. Stocks of hay on farms January 1 were 10 percent above the 1938-42 average, but 6 percent smaller than the record stocks on January 1, 1946.

Domestic disappearance of corn, oats, and barley, plus estimated quantities of wheat and rye fed, during October-December 1946, was 7 percent smaller than in the last quarter of 1945. Smaller disappearance in the last quarter of 1946 mainly reflects the smaller number of livestock on farms and the much better quality of the 1946 corn crop compared with the 1945 crop.

FOOD GRAINS

Wheat

Wheat prices are still at high levels, though below the peaks reached in November and December. The strength during the current season principally results from the very large export demand. It is expected that export and domestic demand will continue to absorb all the wheat for which transportation can be provided, with the result that prices will remain at about current levels at least until prospects for the winter crop become more definite.

Exports totaled about 158 million bushels in the July-December period in 1946 and it now appears that they may reach 325 million bushels for the 1946-47 marketing years. The car situation recently has improved considerably.

Wheat supplies in the United States in 1946-47, now placed at 1,256 million bushels, consisted of a carry-in of old wheat of 100 million bushels and a crop of 1,156 million. Wheat disappearance is expected to total about 790 million bushels, including 525 million bushels for food, 180 for feed, and 87 for seed. This would leave about 465 million bushels for export or carry-over. If 325 million bushels are exported, a carry-over of about 140 million bushels would be indicated. This compares with the pre-war average of 235 million bushels and 100 million bushels in 1946.

A 1947 winter wheat crop of about 947 million bushels is indicated on the basis of estimated acreage and December 1 reported condition, and assuming average weather conditions for the remainder of the season. If the spring wheat crop is average, the total crop would reach about 1,170 million bushels--slightly above the all-time record of 1,156 million bushels in 1946. Assuming domestic needs at 775 to 800 million bushels, about 380 million bushels would be left for export or addition to carry-over.

Rye

The rye production estimate for 1946 is 18.7 million bushels, 22 percent less than the 24 million bushels produced in 1945. This is the smallest crop since 1875 except for the 1934 crop of 16.3 million bushels. With a carry-in July 1 of only 2.4 million bushels--the smallest on record--rye supplies for 1946-47 are very small. The acreage of rye sown for all purposes last fall is estimated to be 5 percent larger than a year earlier. Condition on December 1 was 9 points above the same date in 1945. On the basis of these indications, a crop considerably above the very small one in 1946 is in prospect. However, the indicated acreage is little more than half of the 1935-44 average, and it is not likely that acreage harvested as grain will be large enough to supply fully the feed and alcohol demand in addition to food and seed needs.

Rice

The U. S. rice crop of 71.5 million bushels in 1946 was an all-time high record. When Oriental supplies of rice were cut off by the war, production in the United States was increased and in the past 5 years has averaged 35 percent above the 1935-39 average. With beginning-year stocks the equivalent of only 1.6 million bushels, 1946-47 supplies total 73.1 million bushels. Civilian food use for the year may amount to about 25.0 million bushels, the largest since 1942, but below the 1935-39 average of 26.0 million bushels. Rice for seed and feed and the use of broken rice by brewers is estimated at 8.5 million, exports and shipments at 35.1 million and military at 2.0 million. On the basis of this distribution, only a nominal carry-over would remain at the end of the marketing season.

FRUIT

Prices for fruit this winter are expected to continue at somewhat lower levels than a year earlier, mainly because of increased production. Price prospects seem most favorable for pears, apples, and lemons and least favorable oranges and grapefruit.

Grower and terminal market auction prices for oranges and grapefruit declined sharply last fall, reaching levels well below those of a year earlier but still markedly above the 1935-39 levels. Price declines were largest for oranges, for which there was a sharp increase in production this season plus large carry-in stocks of canned juice. Partly for this reason, processor demand for oranges did not give the strong support to prices that it did last season. Price adjustment at the retail levels has been slow and this has limited sales and contributed to the weakened market at the grower and processor level. As compared with a year earlier substantially larger quantities of oranges, but only slightly larger quantities of grapefruit remained to be marketed after the first of the year. Later in the season grower and terminal market prices especially for grapefruit may increase slightly over the low levels reached this January.

Prices received by growers for apples and pears advanced moderately in December but may increase less than usual this winter, partly because stocks are larger this winter than last and partly because supplies of other fresh and processed fruits are generally larger. The increased exports of apples this season is a strengthening factor in the market.

COMMERCIAL TRUCK CROPS

Prices received by farmers for commercial truck crops produced for the fresh market this winter probably will average moderately lower than those received during the last 3 winter seasons. Aggregate production is expected to be about 29 percent above the 1935-44 average and only 3 percent below the large quantity produced last winter. Demand for fresh vegetable crops this winter will be somewhat weaker than last winter because of increased competition from canned and frozen vegetables, and from the abundant storage supply of such "staples" as potatoes, carrots, cabbage, and onions. Snap beans, green peppers, and cucumbers are winter season fresh vegetables which probably will be lowest in price relative to last winter. Production of each of these 3 crops will be considerably larger than last winter and more than double the average.

Stocks of canned vegetables in the hands of packers and wholesale distributors have been accumulating at an unusually rapid rate during recent months, as a result demand for their 1947 packs may be weaker. Stocks of frozen vegetables for recent months have been at levels far above any previous record. This may result in less demand by processors for contracted acreage in 1947 than in 1946. Spinach processors in California and Texas apparently are planning a reduction of about 19 percent from 1946 in the acreage to be planted for canning and freezing in 1947.

POTATOES AND SWEETPOTATOES

Potatoes

In recognition of substantial revisions recently made in the estimates of 1946 acreage and yield of potatoes, the Department has announced a downward revision of 1947 potato acreage goals. The revised goal is set at 2,517,000 acres, as compared with the 2,669,800 acres announced October 31, 1946. The previously announced production goal of 375 million bushels remains the same. No revision was made for the early commercial acreage.

Merchantable stocks of potatoes in the hands of growers and local dealers on January 1, 1947 were estimated by the Department at slightly more than 150 million bushels. The average January 1 carry-over for the 10 years 1936-45 was approximately 106 million bushels. If the average January 1 stocks represent the quantity that the market could be expected to absorb without assistance, there remains about 44 million bushels of potatoes which must be considered as surplus. Of this quantity, Department officials expect a practical use can be found for perhaps 25 million bushels. Surplus potatoes will be utilized by diverting them to such outlets as manufacturing plants, livestock feeders, the school lunch program, and the export trade.

To further implement its disposal operations and conserve high quality potatoes for regular trade channels the Department has authorized immediate disposal of all low grade and deteriorating potatoes which are under loan, including within this quantity all "fringe" U. S. No. 1 potatoes, to encourage the marketing of better quality pack.

Prices received by farmers for potatoes this winter are expected to rise somewhat less than seasonally. The record quantity in storage will prevent much change in price. The very high percentage of the total stocks under government loan stabilizes potatoe prices. Growers will market these potatoes or deliver them to the government at a fairly regular rate. The loan program provides that in any one month a grower may offer to the government not more than 20 percent of the quantity of potatoes he put under loan.

Sweetpotatoes continue to bring high prices, but the margin in prices received this year over last seems to be narrowing--indicating that the demand for sweetpotatoes may be weakened somewhat by the generally plentiful supply of other vegetables.

COTTON

On January 15 prices at the 10 markets averaged 31.42 cents per pound, following a drop of nearly 2 cents during the last five trading days. The mid-January price was only slightly above the average 10-market price at the end of the first week in December.

The 10-market average price on January 15 was 7 cents per pound or 29 percent higher than a year earlier, and 13 percent higher than the equivalent parity price. A year ago the 10-market price was only 6 percent above the equivalent parity level. The short crop, continued heavy domestic consumption, and the heavy foreign demand largely account for the present level of cotton prices.

According to trade reports, textile market activity was strong during the past month except for some slackness during the week of New Year's that is attributed to the extended holidays and also to the fact that many primary market houses were heavily sold into the first quarter of 1947. In early January, prices for spot and nearby delivery on most standard constructions of gray goods were substantially higher than former ceilings. Prices for goods for future delivery, however, were generally around the old ceiling levels.

Domestic consumption in December totaled 774,177 bales. This is equal to 36,866 bales per working day, and is significantly lower than the November daily rate of 42,803 bales. Nevertheless, consumption through December, the fifth month of the current crop year, has totaled 4,256,827 compared with 3,593,812 bales consumed during the same period last year. Allowing for a seasonal decline in consumption during the spring and summer months, the total for the 1946-47 crop season is expected to run somewhat higher than for last year. If exports and imports run about as earlier estimated, the carry-over on August 1, 1947 should approximate 3-1/4 to 3-1/2 million bales. This compares with 7-1/2 million bales carry-over last August 1.

WOOL

Since December 31 when CCC selling prices for graded domestic wools were raised an additional 1 to 3 cents a pound, prices for most grades of domestic wool apparently have again been too high to compete successfully with foreign wools. Prices of some foreign wools have declined slightly from the November peak. If this weakness becomes more general, price relationships will become even more unfavorable to the sale of government wools. Price support to domestic wool growers is not affected by the President's Proclamation declaring an end to the state of hostilities, since wool is not included among farm commodities for which price support is mandatory. Existing programs will support grower prices until April 15, 1947 at present levels. Support beyond April 15, however, depends upon further governmental action. Current market prices for wool are below the support level.

Imports of apparel wool declined in October and November from the high rate maintained during the first 9 months of the year. Even with reduced imports in the final quarter, total 1946 imports of dutiable wool, of about 800 million pounds, will exceed those of any earlier year except 1942 and 1943 when large amounts of British-owned wool entered the country and were stored here as an act of international courtesy and later reexported. Imports probably will be smaller in 1947. Total stocks of apparel wool in the United States on January 1 were large because of CCC stocks. Privately-owned stocks are not unusually large in relation to the present high rate of mill consumption, but consumption is expected to decline this year from the 1946 record, and mills probably will reduce their inventories.

TOBACCO

With the resumption of marketings after the holiday recess, burley prices were slightly above those of the pre-Christmas sales period. Gross sales in the two weeks ending January 17 were 166 million pounds, averaging 41.7 cents per pound or 12 percent above the corresponding period a year ago. During the first three weeks of this season, before the holidays, gross sales amounted to 231 million pounds at 40.8 cents per pound which was 10 percent below that of the pre-holiday sales last season. Prices were maintained this year after the holiday recess while last season prices declined as demand weakened considerably in early January. The revised production estimate of the crop was 581 million pounds---a reduction of 31 million pounds from the previous estimate. Record cigarette production is a sustaining factor for prices of cigarette grades of tobacco.

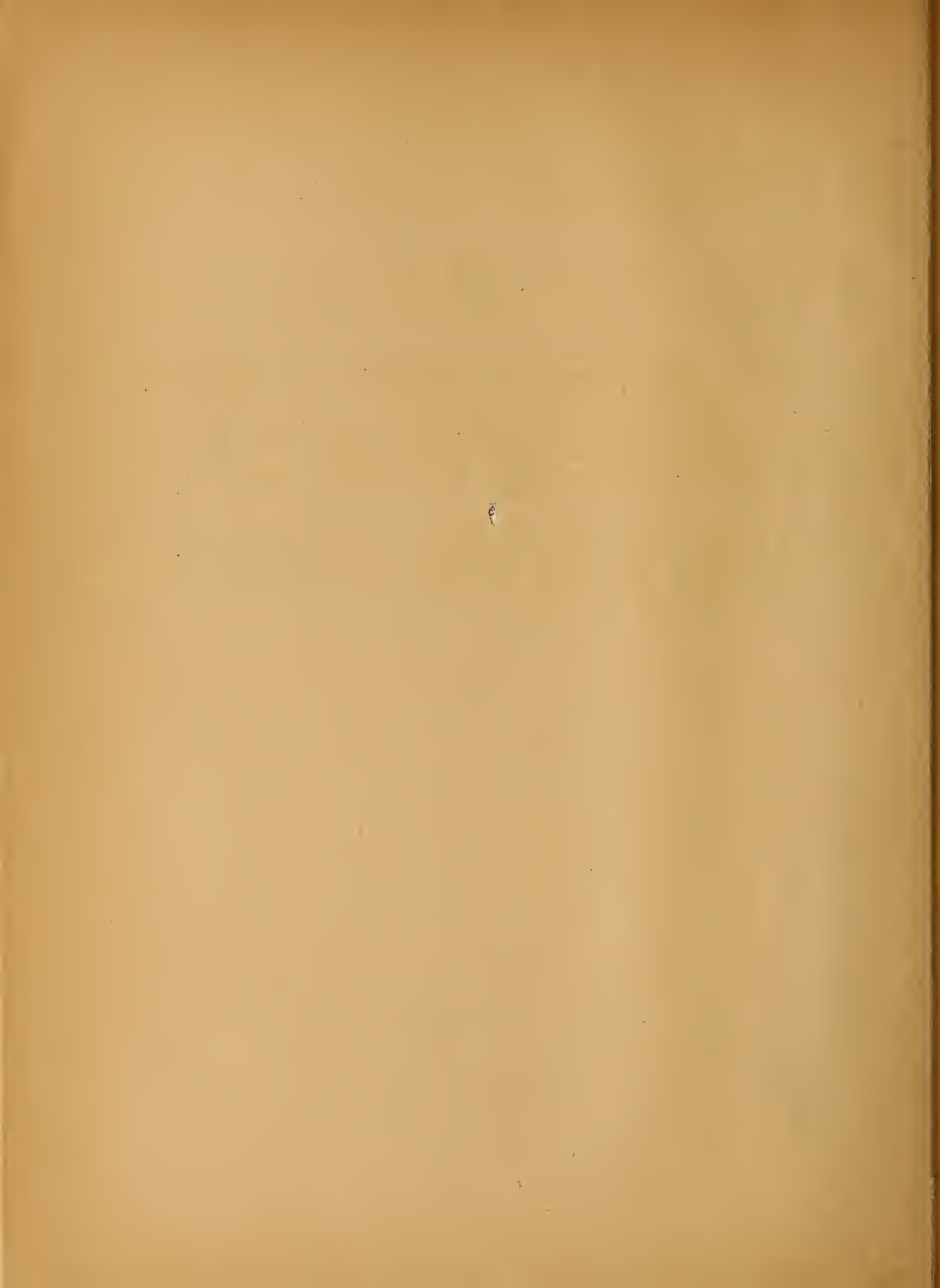
Flue-cured marketings were resumed January 2 after a long recess because of the holidays and the fuel stoppage. The downtrend in prices continued. January sales prices for Old and Middle Belt flue-cured, type 11, averaged 35.9 cents per pound through the 17th. This was 23 percent below the average for the season's sales when markets recessed in late November. The marketing season is about ended, and for all flue-cured tobacco the season average price will be around 48.0 cents per pound compared to 43.7 last year. Exports of flue-cured tobacco in November were the highest of record. Heavy exports and continuing high cigarette manufacture contribute to favorable prospects for the 1947 crop.

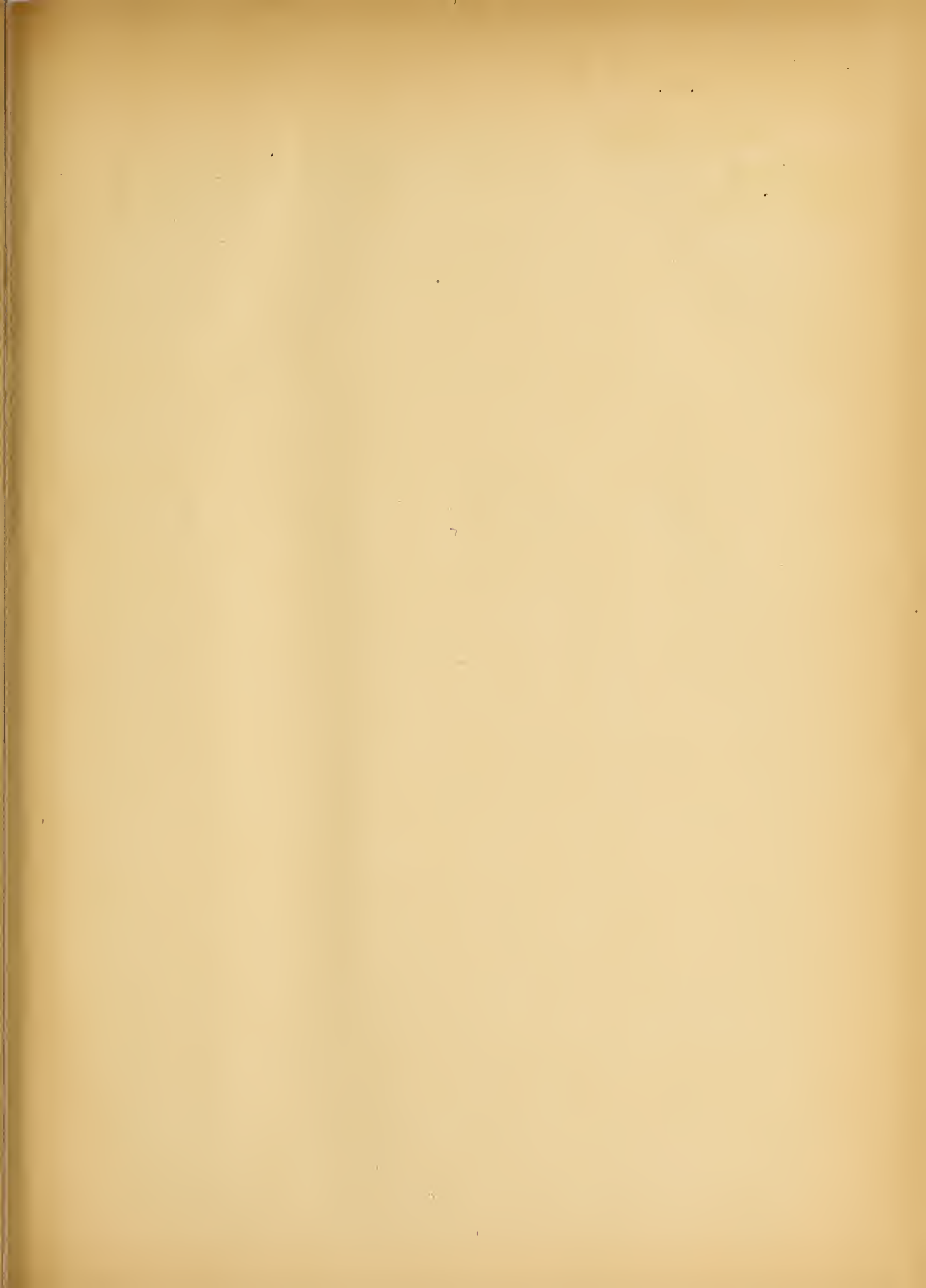
Prices of dark air-cured tobacco types 35 and 36 were up slightly from pre-holiday levels but below last year, while Virginia sun-cured, type 37, dropped below both early season prices and last year. The fire-cured types (except type 21 which opened in December) began sales in January. For sales of types 22 and 23 during the first few days prices averaged below last season. Virginia fire-cured, type 21, through January 16 averaged 31.7 cents per pound, slightly below last year's record prices.

Cigar filler and Wisconsin cigar binder are selling at prices not greatly different than a year ago. Connecticut binder is now being delivered at prices well above last year but lower than those earlier in the season.

Cigarette and cigar consumption are expected to continue at current high levels unless employment and income drop sharply. Indicated November tax-paid withdrawals of cigarettes, although down from October's record figure, were 9 percent above last November. The 1946 calendar year production exceeds any other year. Tax-paid cigar withdrawals, though lower in November than October, exceeded any other month since December 1942 and were almost 18 percent higher than November 1945. Indicated consumption of tobacco for smoking, chewing and snuff was lower in November than in October and also November 1945.

Exports continued very strong with 93 million pounds (export weight) being shipped in November compared to 52 million pounds in October. November exports were 3-1/2 times those of November 1945 and 90 percent greater than the monthly average January-October 1946.





U. S. Department of Agriculture
Washington 25, D. C.

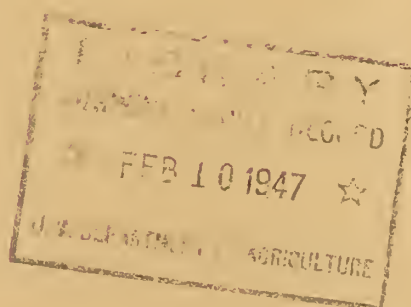
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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.

BAE

JANUARY 1947

Approved by Outlook and Situation Board, January 28, 1947

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THE DEMAND FOR FARM PRODUCTS

Record peacetime income payments resulting from high levels of production and employment continue to support a strong demand for farm products.

Factors affecting demand will be particularly important in determining the level of overall industrial output in 1947.

Current prospects are for no significant weakening in the average level of prices received by farmers before the 1947 crops are far enough along to become price-making factors. There is evidence, however, that many wholesale prices are beginning to level off and certain luxury items and some farm and food product prices are weakening.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	: Unit or : : base : : period :	1945		1946			
		Year	Nov.	Aug.	Sept.	Oct.	Nov.
Industrial Production <u>1/</u>	: 1935=39 :						
Total	= 100 :	203	163	177	180	181	18
All manufactures	" :	214	173	183	186	188	19
Durable goods	" :	274	191	208	212	213	21
Nondurable goods	" :	166	158	164	164	166	1
Minerals	" :	137	138	143	145	144	13
Construction activity <u>1/</u>	: 1935=39 :						
Contracts, total	= 100 :	118	164	275	263	253	24
Contracts, residential	" :	64	108	385	360	343	29
Wholesale prices <u>2/</u>	: 1935=39 :						
All commodities	= 100 :	131	133	160	154	166	1
All commodities except farm and food	" :	123	123	137	138	142	14
Farm products	" :	169	173	212	203	218	22
Food	" :	134	136	188	167	200	20
Prices received and paid by farmers <u>3/</u>	: 1910=14 : = 100 :						
Prices received, all prod.	" :	202	205	249	243	273	26
Prices paid, int. and taxes	" :	174	175	204	200	207	21
Parity ratio	" :	116	117	122	122	132	12
Consumers' price <u>5/ 6/</u>	: 1935=39 :						
Total	= 100 :	128	129	144	146	148	15
Food	" :	139	140	171	174	180	18
Nonfood	" :	123	124	129	130	131	13
Income	: 1935=39 :						
Nonagricultural payments <u>4/</u> ...	= 100 :	236	232	243	243	244	24
Cash farm <u>3/</u>	" :	283	282	313	249	348	36
Income of Industrial Workers <u>3/</u> ...	" :	286	229	285	287	287	29
Factory payrolls <u>5/</u>	" :	307	237	296	302	304	31
Weekly earnings of factory workers <u>5/</u>	: Dollars :						
All manufacturing	" :	44.39	40.77	44.99	45.41	45.68	45.6
Durable goods	" :	49.05	47.71	48.02	48.40	48.83	48.8
Nondurable goods	" :	38.29	37.89	41.89	42.34	42.42	42.5
Employment	:						
Total civilian <u>7/</u>	: Millions :	51.6	51.4	57.7	57.0	57.0	57.0
Employees in nonagri.est. <u>5/</u> ...	: Thous. :	38,144	36,779	39,865	40,192	40,175	40,45
Farm <u>3/</u>	" :	9,844	10,747	11,044	11,111	11,486	10,809
Government finance (Federal) <u>8/</u> ...	: Mil. dol. :						
Receipts, net	" :	3,837	2,374	2,434	4,478	2,544	2,36
Expenditures	" :	7,470	4,581	2,932	2,755	2,965	2,529

Annual data for the years 1929-45 appear on page 20 of the March 1940 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board; converted to 1935=39 base. 2/ U. S. Dept. of Labor, B.L.S. 3/ U. S. Dept. of Agriculture, BAE. To convert prices received and prices paid, interest and taxes to the 1935=39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce. 5/ U.S. Dept. of Labor B.L.S. 6/ Consumers' price index for moderate-income families in large cities. 7/ U.S. Dept. of Commerce, Bureau of Census. 8/ U. S. Dept. of Treasury. Data for 1945 are on average monthly basis.

INDUSTRIAL PRODUCTION

Rising to record peacetime levels, the rate of industrial production in 1946 averaged 170 percent of the 1935-39 level. This was 69 percent below the wartime high average of 239 in 1943, but 3 percent above the level of September, 1945 when the war ended. Durable goods were produced at an average rate equal to 192 percent of prewar, while the rate of nondurable goods production at 164 percent of the prewar level represented only a slight decline of 12 percent from the record average level of 1943.

Consumer demand factors will be more important in determining the level of industrial production in 1947 than those factors which predominated during the past year--unconverted plant and equipment and materials shortages. The national industrial plant is now largely converted to production for peacetime needs. With the lifting of material and price controls during the past year, except for a few remaining priority regulations, materials will tend to flow to those uses for which there will exist a greater demand at market prices.

There is still a substantial backlog of demand for consumer durable goods and housing. This combined with the current demand for nondurable goods, the demand by business for plant and equipment, and foreign demand, can maintain production at high levels in 1947. But since total effective demand is conditioned by the level of prevailing prices, the huge volume of production anticipated in 1947 probably will not move into consumption and use unless downward price adjustments are made.

Among the more important factors which helped buoy consumer demand in 1946 were: (1) withdrawals from war-swollen savings by many consumers, (2) an increase in the volume of consumer credit outstanding, and (3) a general increase in the rate of consumer expenditures out of current income.

From 1940 through 1945, liquid savings by individuals totaled almost 160 billion dollars, according to estimates made by the SEC. Some evidence of the extent of withdrawals from these savings may be obtained from data on cash redemptions of savings bonds which, Treasury Department figures indicate, amounted to almost \$5 billion from January through September, 1946. Despite these withdrawals, however, savings by individuals in the aggregate continued to accumulate in 1946. This can be explained by the fact that, although aggregate savings made in 1946 declined from the abnormal wartime levels, new savings made by some groups out of current income more than offset withdrawals from past savings by others. It is doubtful whether withdrawals from past savings during 1947 will be as substantial as during 1946.

Federal Reserve Board estimates of consumer credit show that consumer credit outstanding increased by \$2.5 billion from January to October 1946. The volume of consumer credit may be larger in 1947 than in 1946. A larger volume of consumer credit would bolster the demand for goods and services and thereafter would help maintain production at the high levels which prevailed in late 1946. But current expenditures financed by installment credits must be made at the expense of future expenditures out of future income. The contribution made by this source of demand expansion merely postpones downward adjustments in prices and production which will occur unless offset by factors such as foreign demand and private investment.

Expenditures by consumers out of current income have increased significantly from the wartime rate of 75 percent of current disposable income. In late 1946 the rate of consumers expenditures was about 90 percent of disposable income, about the same as prewar. This rate is not likely to increase in 1947. (For release February 5, P.M.)

COMMODITY PRICES

Prices increased moderately under price control during the first half of 1946. Under price and other wartime controls, however, supplies of many commodities were inadequate because of the high level of demand supported by record peacetime income payments, accumulated savings, and a rise in consumer credit. With the lapse of price control on June 30 followed shortly thereafter by recontrol and finally by virtually complete decontrol in mid October, the level of prices of farm products and foods fluctuated widely but rose to new high levels during the last half of 1946. The sharp rise in prices of most farm commodities following decontrol, despite large crops reflected the generally high level of consumer demand.

Preliminary data for December 1946 indicate that the index of wholesale prices of all commodities for the year averaged 150 percent of the 1935-39 average. The consumer price index for the year averaged 139 percent the 1935-39 average. This index increased from 129.6 for February 1946 to 153 for December-- a rise of 18 percent.

The index of prices received by farmers rose to new peaks during 1946, increasing from 206 (1909-14=100) in January to 273 in October. It then declined 10 points by mid-November and in December was 264. The average for the year was 233 --about 15 percent above 1945.

The index of prices paid by farmers (including interest and taxes) rose from 177 percent of the 1910-14 average to 213 during 1946. The average for the year was 194 compared with 174 for 1945. However, as a result of the more rapid rise in prices received by farmers, the parity ratio for the year (the ratio of prices received to prices paid, interest and taxes) rose to 120 from 116 in 1945.

The general level of prices is high by most historical comparisons. But there is evidence of leveling off in the prices of many commodities and a weakening in the prices of certain luxury items and of some farm and food products. Moreover, prices of farm products in general probably attained their post war peak in mid October 1946. A continued strong demand for farm products, however, appears likely to support farm prices at not greatly below the present level until the 1947 crops become price-making factors.

The index of prices paid by farmers including interest and taxes may change only slightly from present levels during the next few months. This is predicated on the expected leveling off or possible decline in food and clothing prices partly offsetting rising prices for building materials, machinery, and other farm supplies.

FARM INCOME

Total cash receipts from farm marketings including Government payments may be around 4.0 billion dollars for the first 2 months of 1947, 30 percent greater than in 1946. It is expected that prices received by farmers will average about 25 percent above the first 2 months of last year. Indications are that income from livestock and products probably will be nearly 50 percent above 1946 and that receipts from meat animals may show a gain of 55 percent, with prices about 45 percent higher than last year. Receipts from dairy products for the first 2 months may be about 30 percent higher than receipts from dairy products plus payments on the Dairy Payment Program in 1945. Income from poultry and eggs may be only a little higher than last year with prices about the same or slightly higher. Receipts from crops for the first 2 months in 1947 probably will be about 15 percent above 1946, with prices averaging about 15 percent greater. Income from grains and tobacco, probably will show substantial gains.

Total receipts from farm marketings for January were about 2.1 billion dollars, nearly 15 percent below December, but 40 percent above January 1946. Income from livestock and products of about 1.345 billion dollars was nearly 55 percent above last year, reflecting the marked gain in prices of meat animals and dairy products. Receipts from crops of around 770 million dollars represented an increase of about 15 percent over 1946. Gains in income from most crops were largely due to higher prices, but greater sales of tobacco were also significant.

Preliminary estimates indicate that total cash receipts in February may be about 1.8 billion dollars. Income from livestock and products may be nearly 10 percent below January but 45 percent above February 1946. Increased prices will account for most of the gain over last February. February receipts from crops may decline about 20 percent from January, but are likely to show a gain of about 15 percent over February of last year. The declines from January will be largely a reflection of the shorter month. The expected gain over February 1946 will be due mostly to higher prices.

LIVESTOCK AND MEAT

Meat-animal prices will be materially higher during the first half of 1947 than in the first half of 1946 when price controls were in effect. But prices in the second half of 1947 probably will average lower than the highs of late 1946 and early 1947. Hog prices probably will be at high levels through the summer of 1947 in response to the strong consumer demand for meat and to the more than seasonal reduction in pork supplies next spring and summer. As fed cattle marketings increase during the spring, prices, especially of top grades, are expected to decline somewhat from early January levels. But, prices of lower grade and stocker and feeder cattle probably will continue relatively high through the spring, as supplies of such cattle will be seasonally small. With large slaughter in prospect, prices of all cattle are likely to decline more than seasonally in the second half of the year, especially in late 1947. Lamb prices probably will be higher relative to 1946 than prices of other livestock, since market supplies of lambs will be small.

Total meat output in 1947 may reach 23 billion pounds on a dressed meat basis. This would be a 4 percent increase over the preliminary production estimate of 22 billion for 1946. All of the increase will be in beef and veal production. Pork production will not be greatly different from the 10.3 billion pounds produced in 1946. Lamb and mutton production in 1947 will be the smallest in several years.

A near-record number of cattle were on grain feed on January 1, promising a record or near-record cattle slaughter during the first 9 months of 1947. But the number of sheep and lambs on feed January 1 was 12 percent less than a year earlier, and 11 percent less than the 1941-45 average. Total hog slaughter from April through September will be relatively small partly as a result of an 11-percent reduction in the 1946 fall pig crop. Slaughter during the fourth quarter of the year, however is likely to be large as a result of the prospectively large 1947 spring pig crop. Farmers' intentions reported about December 1 indicated a 6 percent increase in the numbers of sows to farrow in the spring of 1947 over the spring of 1946.

DAIRY PRODUCTS

In mid-January, dairy product prices, particularly butter and American cheese, were below November and December levels. This was the first seasonal price decline in five years. Prices of all major dairy products will probably decline at least seasonally, and some even more, as production increases during the flush period (April to June) and demand remains relatively stable.

In spite of seasonal price declines, abundant feed supplies will probably maintain favorable dairy product feed price ratios during most of the first half of 1947. Grain feeding to dairy cows is likely to be at, or near, record levels and milk production per cow will continue high. Dairy product exports in 1947 will be made almost entirely by U. S. commercial firms and the quantity is expected to be considerably under 1946 levels.

The lower level of consumer incomes expected in the latter part of 1947 combined with increased supplies of previously scarce consumer goods and a substantial decrease in dairy product exports will probably result in a level of cash receipts from farm marketings of dairy products in 1947 lower than that of 1946 including subsidy payments.

POULTRY AND EGGS

Egg prices are declining seasonally and are expected to continue at or near support levels at least through the first half of 1947. Under the Steagall Amendment the USDA is required to support egg prices through 1947 at a minimum of 90 percent of parity to the extent that funds are available. During 1947 flush production season (March through June), support levels will be moderately higher than actual returns in 1946, if prices paid by farmers remain at present levels. Farmers received an average price of 32.4 cents per dozen, 96 percent of parity from March through June 1946.

Per capita consumption of eggs in the last quarter of 1946 was at least 90 eggs which exceeded that for any previous fourth quarter. A high rate of consumption probably will continue through the first half of 1947 because of near record high meat prices and a high level of consumer purchasing power. For the second half of 1947, demand is expected to be weaker than in the second half of 1946, since red meat supplies will be larger and consumer purchasing power may be lower. Total supplies of eggs in excess of domestic demand at support prices during 1947 are expected to be equivalent to at least 150 million dozen. Foreign demand appears fairly strong.

Farmers are beginning 1947 with 8 percent fewer layers than in 1945, but the long-time trend for increased rate of lay accompanied by ample supplies of food will result in an egg production only about 5 percent below that of last year.

Chicken prices have declined sharply in recent months. However, prices are expected to rise somewhat in the next few months because supplies of poultry and red meats will be seasonally smaller. By late 1947 declines may again occur, reflecting prospective decreases in purchasing power, and larger supplies of poultry and red meats.

FATS, OILS, AND OILSEEDS

Increased domestic production of fats and oils is in prospect for 1947-48 but supplies available for consumption during the remainder of the current marketing season (October 1946-September 1947) will continue relatively small.

If no major downturn in business activity occurs, prices of most fats and oils, except for a more than-seasonal decline in butter, are likely to remain high until mid 1947. However, prices probably will be lower in 1947-48. Beginning next fall, domestic output will be larger and supplies in major exporting areas are expected to increase.

Output of lard and grease probably will be larger in the 1947-48 marketing year than in the current season. Because of the abundance of corn and the high prices of hogs in relation to corn prices, the 1947 spring pig crop is expected to be larger than in 1946. The December Pig Crop Report indicated an increase of 6 percent over a year earlier in the number of sows to farrow in December 1946 through May 1947. In mid December, the month of heaviest breeding for spring farrowing, the hog corn price ratio was 18.6 to 1 compared with a long-time December average of 12.3 to 1.

Veg cable-oil production may be 10 to 30 percent greater in 1947-48 than in the current marketing year. High prices for soybeans and flaxseed in relation to prices of alternative crops--corn, oats, and wheat--should lead to expansion in acreages of soybeans and flaxseed next spring. The soybean-corn price ratio in mid-December was 2.3 to 1, nearly a third above the 1937-41 average of 1.8 to 1. The ratio between flaxseed and wheat prices was much above average in mid-December--3.6 to 1 compared with the 1937-41 December ratio of 2.2 to 1. The Department of Agriculture recently announced that the price of 1947-crop flaxseed would be supported at \$5.00 per bushel (Minneapolis basis), which probably will be over three times the price of wheat next summer and fall.

CORN AND OTHER FEEDS

Prices of feed grains at the beginning of 1947 averaged about 10 percent higher than a year earlier, while prices of most high-protein feeds were up more than 50 percent. Although supplies of feed concentrates, per animal unit, are at a record level feed grain prices through the early spring are expected to continue moderately higher than a year earlier. More stability in feed prices is expected during the next few months than in the second half of 1946. The strong commercial and export demand in prospect for corn will give support to corn prices this spring and summer. In the late spring and summer, corn prices probably will be below the high levels of that period last year. High-protein feed prices probably will average substantially higher during the first half of 1947 than a year earlier, and will be high relative to feed grain prices.

Farm and terminal market stocks of corn, oats, and barley on January 1 totaled 79.1 million tons, 9 percent larger than a year earlier, and the largest on record per grain-consuming animal unit on farms. The carry-over of corn on farms and at terminal markets next October 1 may be around 400 to 450 million bushels, compared with the low level of 158 million in 1946. Carry-over of oats and barley in 1947 may not be greatly different from 1946. Stocks of hay on farms January 1 were 10 percent above the 1938-42 average, but 6 percent smaller than the record stocks on January 1, 1946.

Domestic disappearance of corn, oats, and barley, plus estimated quantities of wheat and rye fed, during October-December 1946, was 7 percent smaller than in the last quarter of 1945. Smaller disappearance in the last quarter of 1946 mainly reflects the smaller number of livestock on farms and the much better quality of the 1946 corn crop compared with the 1945 crop.

FOOD GRAINS

Wheat

Wheat prices are still at high levels, though below the peaks reached in November and December. The strength during the current season principally results from the very large export demand. It is expected that export and domestic demand will continue to absorb all the wheat for which transportation can be provided, with the result that prices will remain at about current levels at least until prospects for the winter crop become more definite.

Exports totaled about 153 million bushels in the July-December period in 1946 and it now appears that they may reach 325 million bushels for the 1946-47 marketing years. The car situation recently has improved considerably.

Wheat supplies in the United States in 1946-47, now placed at 1,256 million bushels, consisted of a carry-in of old wheat of 100 million bushels and a crop of 1,156 million. Wheat disappearance is expected to total about 790 million bushels, including 525 million bushels for food, 180 for feed, and 87 for seed. This would leave about 465 million bushels for export or carry-over. If 325 million bushels are exported, a carry-over of about 140 million bushels would be indicated. This compares with the pre-war average of 235 million bushels and 100 million bushels in 1946.

A 1947 winter wheat crop of about 947 million bushels is indicated on the basis of estimated acreage and December 1 reported condition, and assuming average weather conditions for the remainder of the season. If the spring wheat crop is average, the total crop would reach about 1,170 million bushels--slightly above the all-time record of 1,156 million bushels in 1946. Assuming domestic needs at 775 to 800 million bushels, about 380 million bushels would be left for export or addition to carry-over.

Rye

The rye production estimate for 1946 is 18.7 million bushels, 22 percent less than the 24 million bushels produced in 1945. This is the smallest crop since 1875 except for the 1934 crop of 16.3 million bushels. With a carry-in July 1 of only 2.4 million bushels--the smallest on record--rye supplies for 1946-47 are very small. The acreage of rye sown for all purposes last fall is estimated to be 5 percent larger than a year earlier. Condition on December 1 was 9 points above the same date in 1945. On the basis of these indications, a crop considerably above the very small one in 1946 is in prospect. However, the indicated acreage is little more than half of the 1935-44 average, and it is not likely that acreage harvested as grain will be large enough to supply fully the feed and alcohol demand in addition to food and seed needs.

Rice

The U. S. rice crop of 71.5 million bushels in 1946 was an all-time high record. When Oriental supplies of rice were cut off by the war, production in the United States was increased and in the past 5 years has averaged 35 percent above the 1935-39 average. With beginning-year stocks the equivalent of only 1.6 million bushels, 1946-47 supplies total 73.1 million bushels. Civilian food use for the year may amount to about 25.0 million bushels, the largest since 1942, but below the 1935-39 average of 26.0 million bushels. Rice for seed and feed and the use of broken rice by brewers is estimated at 8.5 million, exports and shipments at 35.1 million and military at 2.0 million. On the basis of this distribution, only a nominal carry-over would remain at the end of the marketing season.

FRUIT

Prices for fruit this winter are expected to continue at somewhat lower levels than a year earlier, mainly because of increased production. Price prospects seem most favorable for pears, apples, and lemons and least favorable oranges and grapefruit.

Grower and terminal market auction prices for oranges and grapefruit declined sharply last fall, reaching levels well below those of a year earlier but still markedly above the 1935-39 levels. Price declines were largest for oranges, for which there was a sharp increase in production this season plus large carry-in stocks of canned juice. Partly for this reason, processor demand for oranges did not give the strong support to prices that it did last season. Price adjustment at the retail levels has been slow and this has limited sales and contributed to the weakened market at the grower and processor level. As compared with a year earlier substantially larger quantities of oranges, but only slightly larger quantities of grapefruit remained to be marketed after the first of the year. Later in the season grower and terminal market prices especially for grapefruit may increase slightly over the low levels reached this January.

Prices received by growers for apples and pears advanced moderately in December but may increase less than usual this winter, partly because stocks are larger this winter than last and partly because supplies of other fresh and processed fruits are generally larger. The increased exports of apples this season is a strengthening factor in the market.

COMMERCIAL TRUCK CROPS

Prices received by farmers for commercial truck crops produced for the fresh market this winter probably will average moderately lower than those received during the last 3 winter seasons. Aggregate production is expected to be about 29 percent above the 1935-44 average and only 3 percent below the large quantity produced last winter. Demand for fresh vegetable crops this winter will be somewhat weaker than last winter because of increased competition from canned and frozen vegetables, and from the abundant storage supply of such "staples" as potatoes, carrots, cabbage, and onions. Snap beans, green peppers, and cucumbers are winter season fresh vegetables which probably will be lowest in price relative to last winter. Production of each of these 3 crops will be considerably larger than last winter and more than double the average.

Stocks of canned vegetables in the hands of packers and wholesale distributors have been accumulating at an unusually rapid rate during recent months, as a result demand for their 1947 packs may be weaker. Stocks of frozen vegetables for recent months have been at levels far above any previous record. This may result in less demand by processors for contracted acreage in 1947 than in 1946. Spinach processors in California and Texas apparently are planning a reduction of about 19 percent from 1946 in the acreage to be planted for canning and freezing in 1947.

POTATOES AND SWEETPOTATOES

Potatoes

In recognition of substantial revisions recently made in the estimates of 1946 acreage and yield of potatoes, the Department has announced a downward revision of 1947 potato acreage goals. The revised goal is set at 2,517,000 acres, as compared with the 2,669,800 acres announced October 31, 1946. The previously announced production goal of 375 million bushels remains the same. No revision was made for the early commercial acreage.

Merchantable stocks of potatoes in the hands of growers and local dealers on January 1, 1947 were estimated by the Department at slightly more than 150 million bushels. The average January 1 carry-over for the 10 years 1936-45 was approximately 106 million bushels. If the average January 1 stocks represent the quantity that the market could be expected to absorb without assistance, there remains about 44 million bushels of potatoes which must be considered as surplus. Of this quantity, Department officials expect a practical use can be found for perhaps 25 million bushels. Surplus potatoes will be utilized by diverting them to such outlets as manufacturing plants, livestock feeders, the school lunch program, and the export trade.

To further implement its disposal operations and conserve high quality potatoes for regular trade channels the Department has authorized immediate disposal of all low grade and deteriorating potatoes which are under loan, including within this quantity all "fringe" U. S. No. 1 potatoes, to encourage the marketing of better quality pack.

Prices received by farmers for potatoes this winter are expected to rise somewhat less than seasonally. The record quantity in storage will prevent much change in price. The very high percentage of the total stocks under government loan stabilizes potatoe prices. Growers will market these potatoes or deliver them to the government at a fairly regular rate. The loan program provides that in any one months a grower may offer to the government not more than 20 percent of the quantity of potatoes he put under loan.

Sweetpotatoes continue to bring high prices, but the margin in prices received this year over last seems to be narrowing--indicating that the demand for sweetpotatoes may be weakened somewhat by the generally plentiful supply of other vegetables.

COTTON

On January 15 prices at the 10 markets averaged 31.42 cents per pound, following a drop of nearly 2 cents during the last five trading days. The mid-January price was only slightly above the average 10-market price at the end of the first week in December.

The 10-market average price on January 15 was 7 cents per pound or 29 percent higher than a year earlier, and 13 percent higher than the equivalent parity price. A year ago the 10-market price was only 6 percent above the equivalent parity level. The short crop, continued heavy domestic consumption, and the heavy foreign demand largely account for the present level of cotton prices.

According to trade reports, textile market activity was strong during the past month except for some slackness during the week of New Year's that is attributed to the extended holidays and also to the fact that many primary market houses were heavily sold into the first quarter of 1947. In early January, prices for spot and nearby delivery on most standard constructions of gray goods were substantially higher than former ceilings. Prices for goods for future delivery, however, were generally around the old ceiling levels.

Domestic consumption in December totaled 774,177 bales. This is equal to 36,866 bales per working day, and is significantly lower than the November ~~rate~~ daily rate of 42,803 bales. Nevertheless, consumption through December, the fifth month of the current crop year, has totaled 4,256,827 compared with 3,593,812 bales consumed during the same period last year. Allowing for a seasonal decline in consumption during the spring and summer months, the total for the 1946-47 crop season is expected to run somewhat higher than for last year. If exports and imports run about as earlier estimated, the carry-over on August 1, 1947 should approximate 3-1/4 to 3-1/2 million bales. This compares with 7-1/2 million bales carry-over last August 1.

WOOL

Since December 31 when CCC selling prices for graded domestic wools were raised an additional 1 to 3 cents a pound, prices for most grades of domestic wool apparently have again been too high to compete successfully with foreign wools. Prices of some foreign wools have declined slightly from the November peak. If this weakness becomes more general, price relationships will become even more unfavorable to the sale of government wools. Price support to domestic wool growers is not affected by the President's Proclamation declaring an end to the state of hostilities, since wool is not included among farm commodities for which price support is mandatory. Existing programs will support grower prices until April 15, 1947 at present levels. Support beyond April 15, however, depends upon further governmental action. Current market prices for wool are below the support level.

Imports of apparel wool declined in October and November from the high rate maintained during the first 9 months of the year. Even with reduced imports in the final quarter, total 1946 imports of dutiable wool, of about 800 million pounds, will exceed those of any earlier year except 1942 and 1943 when large amounts of British-owned wool entered the country and were stored here as an act of international courtesy and later reexported. Imports probably will be smaller in 1947. Total stocks of apparel wool in the United States on January 1 were large because of CCC stocks. Privately-owned stocks are not unusually large in relation to the present high rate of mill consumption, but consumption is expected to decline this year from the 1946 record, and mills probably will reduce their inventories.

TOBACCO

With the resumption of marketings after the holiday recess, burley prices were slightly above those of the pre-Christmas sales period. Gross sales in the two weeks ending January 17 were 166 million pounds, averaging 41.7 cents per pound or 12 percent above the corresponding period a year ago. During the first three weeks of this season, before the holidays, gross sales amounted to 231 million pounds at 40.8 cents per pound which was 10 percent below that of the pre-holiday sales last season. Prices were maintained this year after the holiday recess while last season prices declined as demand weakened considerably in early January. The revised production estimate of the crop was 581 million pounds--a reduction of 31 million pounds from the previous estimate. Record cigarette production is a sustaining factor for prices of cigarette grades of tobacco.

Flue-cured marketings were resumed January 2 after a long recess because of the holidays and the fuel stoppage. The downtrend in prices continued. January sales prices for Old and Middle Belt flue-cured, type 11, averaged 35.9 cents per pound through the 17th. This was 23 percent below the average for the season's sales when markets recessed in late November. The marketing season is about ended, and for all flue-cured tobacco the season average price will be around 48.0 cents per pound compared to 43.7 last year. Exports of flue-cured tobacco in November were the highest of record. Heavy exports and continuing high cigarette manufacture contribute to favorable prospects for the 1947 crop.

Prices of dark air-cured tobacco types 35 and 36 were up slightly from pre-holiday levels but below last year, while Virginia sun-cured, type 37, dropped below both early season prices and last year. The fire-cured types (except type 21 which opened in December) began sales in January. For sales of types 22 and 23 during the first few days prices averaged below last season. Virginia fire-cured, type 21, through January 16 averaged 31.7 cents per pound, slightly below last year's record prices.

Cigar filler and Wisconsin cigar binder are selling at prices not greatly different than a year ago. Connecticut binder is now being delivered at prices well above last year but lower than those earlier in the season.

Cigarette and cigar consumption are expected to continue at current high levels unless employment and income drop sharply. Indicated November tax-paid withdrawals of cigarettes, although down from October's record figure, were 9 percent above last November. The 1946 calendar year production exceeds any other year. Tax-paid cigar withdrawals, though lower in November than October, exceeded any other month since December 1942 and were almost 18 percent higher than November 1945. Indicated consumption of tobacco for smoking, chewing and snuff was lower in November than in October and also November 1945.

Exports continued very strong with 93 million pounds (export weight) being shipped in November compared to 52 million pounds in October. November exports were 3-1/2 times those of November 1945 and 90 percent greater than the monthly average January-October 1946.





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